

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

In the Matter of the Application of)  
HAWAIIAN ELECTRIC COMPANY, INC. )  
For Approval to Commit Funds in )  
Excess of \$500,000 for Item )  
P0000423, Kailua Road Underground )  
Conversion. )

DOCKET NO. 03-0036

DECISION AND ORDER NO. 20473

Filed Oct. 1, 2003  
At 9:00 o'clock A.M.

Karen Higashi  
Chief Clerk of the Commission

DIV. OF CONSUMER ADVOCACY  
DEPT. OF COMMERCE AND  
CONSUMER AFFAIRS  
STATE OF HAWAII

2003 OCT - 1 P 3:58

RECEIVED

ATTEST: A True Copy  
KAREN HIGASHI  
Chief Clerk, Public Utilities  
Commission, State of Hawaii.

K. Higashi

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

In the Matter of the Application of)  
HAWAIIAN ELECTRIC COMPANY, INC. )  
For Approval to Commit Funds in )  
Excess of \$500,000 for Item )  
P0000423, Kailua Road Underground )  
Conversion. )  

---

Docket No. 03-0036

Decision and Order No. 20473

DECISION AND ORDER

I.

By an application filed on February 13, 2003, HAWAIIAN ELECTRIC COMPANY, INC. ("HECO") requests commission approval to undertake and complete its Kailua Road Underground Conversion project ("Proposed Project"). In particular, HECO requests commission approval to commit approximately \$1,284,885 for Item P0000423, in accordance with paragraph 2.3.g.2 of the commission's General Order No. 7, Standards of Electric Utility Service in the State of Hawaii. The City and County of Honolulu ("City") agreed to share in the cost of the Proposed Project with a contribution-in-aid-of-construction amount of approximately \$813,820 for the ductline facilities.

Copies of the application were served on the Department of Commerce and Consumer Affairs, Division of Consumer Advocacy ("Consumer Advocate"). On March 6, 2003, the Consumer Advocate filed a preliminary statement of position, in which it indicated that it will participate in the instant

proceeding, and will state its position upon completion of its review. On March 31, 2003, the Consumer Advocate served information requests upon HECO, to which it responded on May 9, 2003. By Order No. 20173, filed on May 7, 2003, the commission suspended the 90-day review period required under General Order No. 7, paragraph 2.3.g.2, and established a schedule by which HECO was to respond to the Consumer Advocate's information requests and the Consumer Advocate was to file its statement of position. By position statement filed on July 9, 2003, the Consumer Advocate stated that it does not object to our approval of the instant application ("Statement of Position").

## II.

### A.

HECO is a corporation duly organized under the laws of the Kingdom of Hawaii on or about October 13, 1891, and is now existing under and by virtue of the laws of the State of Hawaii. HECO is an operating public utility engaged in the production, purchase, transmission, distribution, and sale of electricity on the island of Oahu.

### B.

The Proposed Project was initiated at the request of the City's Department of Design and Construction to fulfill the Kailua Vision Team's request to underground the existing overhead lines along Kailua Road. The Proposed Project will include the following work:

- (1) Converting the 12 kilovolt ("kV") distribution lines from overhead to underground along Kailua Road, from the vicinity of Kuulei Avenue to Hahani Street, which will involve 12 kV underground and overhead work and the installation of pad-mount transformers; and
- (2) the relocation of the existing transformers associated with the 12 kV distribution lines from the poles to the ground. This will result in the installation of the facilities necessary to reconnect the existing customer connections to the newly installed pad-mount transformers.<sup>1</sup>

HECO advises that construction of its facilities, which is expected to start in October 2003 and be completed by February 2004, is dependent on the City's construction schedule.

HECO proposes to commit funds for the Proposed Project by executing a letter agreement with the City immediately upon receipt of the commission's approval of the instant docket. As stated previously, the total estimated cost of the Proposed Project is \$1,284,885, which will be shared between HECO and the City, which will provide approximately \$813,820 as contributions-in-aid-of-construction.

---

<sup>1</sup>See, application at 4 - 5 for a detailed description of the underground and overhead work that will be done in connection with the Proposed Project.

These amounts were calculated by HECO in accordance with its revised *Policy on Underground Lines, Conversion of Existing Overhead Lines to Underground Lines*, dated February 22, 2002 ("HECO's Underground Policy"). Pursuant to HECO's Underground Policy, it proposed to contribute 100 per cent of the electrical service reconnection costs and the City agreed to pay 100 per cent of the ductline facilities costs. The cost of the underground reconnection, which is normally paid for by HECO's customers, is approximately \$23,500, and includes installing the pad-mounted transformers and the primary and secondary cables. The installation of the concrete pads, ductlines, and handholes will be performed and paid for by the City.

C.

HECO submitted a notice of its waiver of Rule 14 of its tariff<sup>2</sup> and to share in the cost of the underground service reconnections, pursuant to Hawaii Revised Statutes ("HRS") §§ 269-12(b) and 269-16(b). HECO also asserts, in reliance on Decision and Order No. 18660, filed on June 29, 2001, in

---

<sup>2</sup>HECO Rule 14.B.2.c states in relevant part:

The customer or applicant shall make a contribution of the estimated cost of an underground service less the estimated cost of normal overhead service which would be required to serve an equivalent load. The customer or applicant shall furnish when feasible, the trenching, backfill, ducts and pullboxes where necessary.

Docket No. 01-0189, that commission approval is not required for a project specific waiver of Rule 14 of its tariff.<sup>3</sup> We distinguish our holding in Decision and Order No. 18660 with the instant docket. Docket No. 01-0189 involved the installation of a 46kV transmission system below ground and was reviewed pursuant to the criteria set forth at HRS § 269-27.6. Under such criteria, the commission must make a determination of the reasonableness of the placement of the system underground.<sup>4</sup> We believe that a waiver of HECO's Rule 14 requires commission approval in this instance, since we need not otherwise make a determination of the reasonableness of the placement of the system underground for the Proposed Project pursuant to HRS § 269-27.6.<sup>5</sup> Upon review, we find that HECO may depart from its Rule 14 and contribute funds for 100 per cent of the electrical conversion costs to underground the electrical distribution circuits, including removal costs, as part of the cost-sharing agreement with the City.

---

<sup>3</sup>In Decision and Order No. 18660, the commission determined that its approval for a project specific waiver of rule 14 of HECO's tariff to allow HECO to pay 10 per cent of the service conversion costs was not necessary, since a waiver of Rule 14 does not increase rates, fares, or charges.

<sup>4</sup>By its decision not to address HECO's request for a waiver of its Rule 14 in Docket No. 01-0189, the commission also ensured that it did not foreclose its opportunity to review the cost-sharing of the project in HECO's next rate case.

<sup>5</sup>We take the same position we took in Decision and Order No. 18705, filed on July 31, 2001, in Docket No. 01-0250, in which the commission allowed HECO to depart from its Rule 14 and contribute up to 1/3 of the project's cost, in accordance with its arrangement with the L'Orange Place Community Association.

In its Statement of Position, the Consumer Advocate suggests that HECO should have sought a waiver of its Rule 13 in this instance. We agree with the Consumer Advocate that such a waiver should have been sought, but will not require HECO to amend its application at this time to provide notice of its intent to depart from Rule 13. Instead, at this time, we will recognize HECO's notice of intent to depart from Rule 14 as constructive notice of its intent to depart from Rule 13 as well.

Paragraph D.4 of HECO's Rule 13 provides, in relevant part, that:

[w]hen mutually agreed upon by the customer or applicant and the Company, overhead facilities will be replaced with underground facilities, provided the customer or applicant requesting the change makes a contribution of the estimated cost installed of the underground facilities less the estimated net salvage of the overhead facilities removed. (Emphasis added).

As stated above, HECO proposes to utilize the cost-sharing formula set forth in HECO's Underground Policy,<sup>6</sup> which differs from contribution required under HECO's Rule 13. As the Consumer Advocate notes in its Statement of Position, HECO

---

<sup>6</sup>HECO's Underground Policy states that HECO will convert existing overhead lines to underground lines:

As part of an eligible community or government-initiated project to underground HECO's distribution and service lines (25kV and below). HECO shall contribute at 100% its cost, the planning, design, material procurement and construction of the electrical work (e.g., cable installation, transformers, terminations, etc.). The community and/or government agency shall perform at 100% its cost, the planning, design, material procurement and construction of the civil/structural infrastructure work (e.g., trenching, ductline construction, manholes, etc.);

proposes to contribute approximately \$453,065 to the Proposed Project, when under its Rule 13.D.4, it would not have incurred any cost, since the City would be required to pay for the entire cost of the Proposed Project.

We find that HECO may depart from its Rule 13 and contribute funds for 100 per cent of the electrical conversion costs to underground the electrical distribution circuits, including removal costs, as part of the cost-sharing agreement with the City. Furthermore, given the fact that HECO provided notice of its intent to depart from Rule 14 and in light of the City's timetable for the start of construction and the necessary preparation which must occur before construction begins, we find good cause to allow HECO to depart from its Rule 13 upon notice less than 30 days, pursuant to HRS § 269-16(b).

While the commission finds that HECO should be allowed to depart from its Rules 13 and 14, such approval should not be interpreted to be commission approval for HECO to include its contribution for the Proposed Project in its rate base at this time. HECO shall not be allowed to recover from ratepayers its contributions for the Proposed Project unless and until the commission grants HECO recovery in a general rate increase proceeding.

D.

The City requested that the overhead lines at Kailua Road be installed underground. We note that the Vision Teams, established by the Mayor, allow the community an



opportunity to determine priorities for City projects. Upon careful review of the record, the commission finds that the Proposed Project is reasonable and consistent with the public interest. Accordingly, the commission concludes that the instant application for the Proposed Project should be approved. However, in its next rate increase proceeding, HECO shall, for the purposes of determining cost recovery, provide the information necessary for a review by the Consumer Advocate and the commission of the reasonableness of the actual project costs and the cost-sharing percentages, and whether the costs to convert the overhead lines to underground lines should be borne by HECO's ratepayers.

### III.

#### THE COMMISSION ORDERS:

1. HECO's application, filed on February 13, 2003, to expend an estimated \$1,284,885 for Item P0000423, Kailua Road Underground Conversion, is approved; provided that no part of the project may be included in HECO's rate base unless and until the commission grants HECO recovery in a general rate increase proceeding.


2. HECO may depart from its Rules 13 and 14 and contribute funds for 100 per cent of the electrical conversion costs to underground the electrical distribution circuits, including removal costs, as part of the cost-sharing agreement with the City.

3. HECO shall report within 60 days of the proposed project's commercial operation, with an explanation of any deviation of 10 per cent or more in the projects costs from that

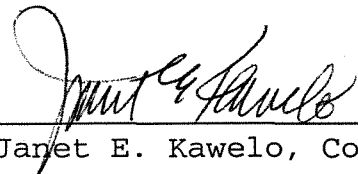
estimated in the application. HECO's failure to submit this report will constitute cause to limit the cost of the project, for ratemaking purposes, to that estimated in the application.

DONE at Honolulu, Hawaii this 1st day of October,  
2003.

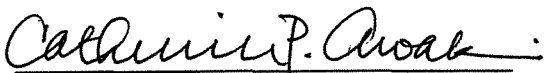
PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

By   
Carlito P. Caliboso, Chairman

By   
Wayne H. Kimura, Commissioner

By   
Janet E. Kawelo, Commissioner

APPROVED AS TO FORM:

  
Catherine P. Awakuni  
Commission Counsel  
03-0036.ah

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Decision and Order No. 20473 upon the following parties, by causing a copy hereof to be mailed, postage prepaid, and properly addressed to each such party.

DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS  
DIVISION OF CONSUMER ADVOCACY  
P. O. Box 541  
Honolulu, HI 96809

WILLIAM A. BONNET  
VICE PRESIDENT - GOVERNMENT AND COMMUNITY AFFAIRS  
HAWAIIAN ELECTRIC COMPANY, INC.  
P. O. Box 2750  
Honolulu, HI 96840-0001

LORIE ANN NAGATA  
TREASURER  
P. O. Box 2750  
Honolulu, HI 96840-0001

  
\_\_\_\_\_  
Karen Higashi

DATED: October 1, 2003